GENESCO The Apparel Company

ANNUAL REPORT 1970

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Financial Summary

Year ended 31 July	1970	1969 RESTATED FOR POOLINGS OF INTERESTS
Net sales—continuing operations	**$1,242,809,000**	$1,225,128,000
Net earnings—continuing operations	**26,902,000**	33,037,000
Working capital	**317,602,000**	336,142,000
Primary earnings per common and common equivalent share—continuing operations	**$2.07**	$2.71
Net earnings per common and common equivalent share	**$1.65**	$2.53
Average number of common and common equivalent shares outstanding	**11,315,000**	10,868,000

GENESCO

FRANKLIN M. JARMAN

J. OWEN HOWELL, JR.

To Our Stockholders:

The first year of the decade of the Seventies was disappointing to us at GENESCO. A faltering economy, rising inflation, higher interest rates and a generally lackluster apparel market all combined to produce unsatisfactory results. For the year ending 31 July 1970, net sales on continuing operations were $1,242,809,000, net earnings on continuing operations were $26,902,000, and primary earnings per share on continuing operations were $2.07.

We have been and are continuing to take steps to improve these results. We have made significant cutbacks in expenses, including the reduction of our aviation department from six to two planes, the delay of the expansion of our corporate headquarters facilities, and the reduction of our overall management staff by 5%. Additionally, we closed several unprofitable divisions which had acted as a drain on our operations, including Majestic Specialties, Major Blouse, Xantex (a converter of knit fabrics), and our Latin American footwear and under apparel operations. As a result of these actions, GENESCO is in a strong position to take advantage of the expected upturn in the economy in fiscal 1971.

State of the Corporation

In reviewing the state of the Corporation in 1970, we find total worldwide employment averaged 68,000 people. U. S. employment averaged 65,000, of which 10,000 were from non-Caucasian minorities.

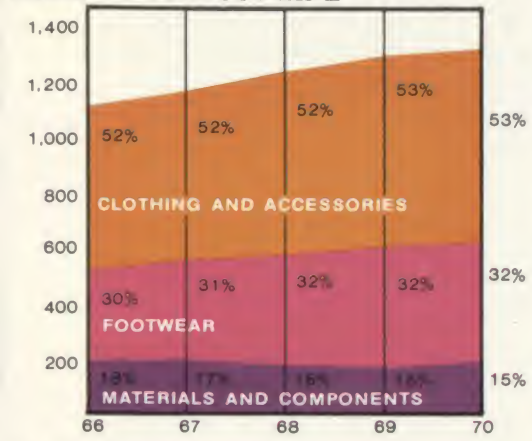
Our manufacturing operations totaled 298 plants and processing terminals around the world. GENESCO divisions currently sell to some 45,000 wholesale customers, and 2,320 GENESCO retail stores and leased departments serve customers in 44 states as well as numerous foreign countries.

The sources of GENESCO's sales for the last five years have been broken down in the accompanying charts. These figures include intra-company transactions as well as outside sales, and sales outside U.S.A. include non-consolidated companies, some of which are not wholly owned.

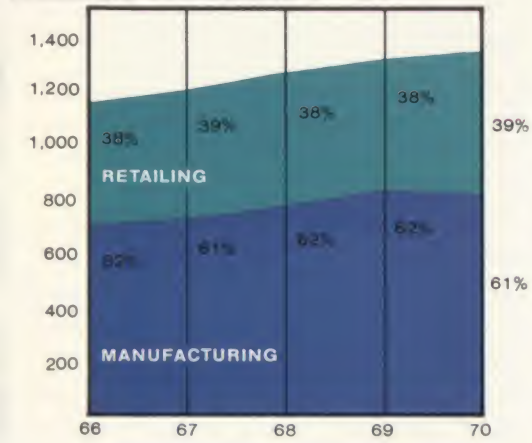
Growth

Despite the disappointing earnings, GENESCO generated important internal and external growth during the year.

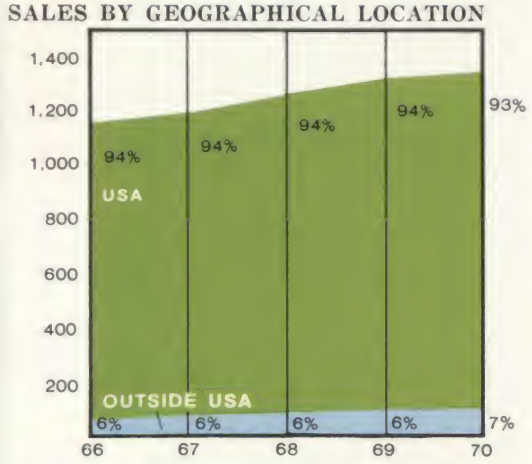
SALES BY PRODUCT LINE



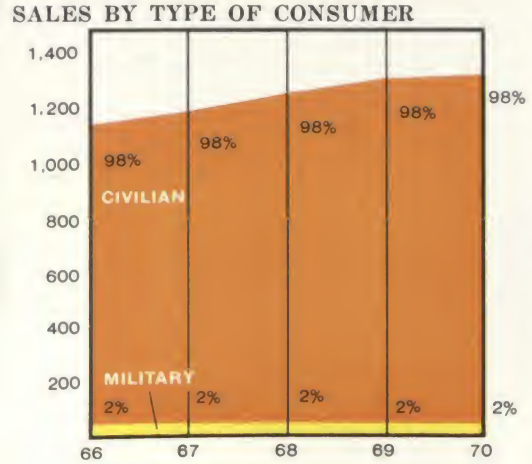
SALES BY FUNCTIONS



SALES BY GEOGRAPHICAL LOCATION



SALES BY TYPE OF CONSUMER



In a number of companies in 1970, growth came from improved performances in existing operations. Some of our wholesale divisions increased sales of their existing product lines, a number of retail divisions were able to increase total sales without a net increase in store units, and certain manufacturing divisions showed increased productivity in existing manufacturing facilities.

At the same time we broadened the operations of some other divisions in order to increase overall volume. In 1970 we completed construction on a new hosiery mill, finished a major addition to a nylon tricot knitting plant, built a new shipping warehouse for some of our budget apparel stores, and completely rebuilt a men's underwear plant that had been destroyed by a tornado. In addition, we currently have under construction three apparel manufacturing plants and a shoe warehouse. On the wholesale level, a number of our divisions have introduced new apparel lines in order to extend their market penetration. Three examples include Easy Street, a new women's shoe line, Bernice Lang, women's at-home wear, and Windy Hill, a girls' sportswear line. At retail, GENESCO divisions opened over 300 new stores and leased departments in 1970. These ranged in size and market from leased shoe departments in our Kress stores to the new Bonwit Teller store in Chicago, acclaimed as one of the most beautiful apparel stores in the world.

In addition to internal growth, GENESCO added nine new companies during 1970, each of which complements existing apparel operations. The merger with Kenrose Mfg. Co., Inc., first announced in last year's Annual Report, was completed in fiscal 1970 following a favorable tax ruling. A manufacturer of women's dresses, robes, loungewear and sportswear, Kenrose now operates as a part of our Women's and Children's Outer Apparel Group. Also joining this same group in 1970 was Beverly Paige Casuals, a women's and misses' sportswear manufacturer.

Additional facilities were acquired for existing divisions, including M & S Ladies Tailors, Inc., a sewing plant now making women's rainwear for New York Mackintosh; the Fairview Mfg. Co., which manufactures slacks and sportswear for our Esquire division, and the Tennessee Leather Company, finishing hides for our Conleco division. Also, a second addition to Conleco is H. Elkan and Co., a Chicago-based hide broker.

Three men's wear store groups extended our Standard Retail Group's market penetration: Graves-Cox and Company of Lexington, Ky.; Davidson's of the Cleveland, Ohio area; and Hall-Brown in Knoxville, Tennessee.

In a development after the close of our fiscal year and not included in our financial results, we acquired Harold's, women's specialty apparel stores in Minneapolis, Minnesota. Harold's will operate as a member of our Specialty Group.

Research and Development

1970 was a year of vital growth in Research and Development, when many of our efforts ceased to be blueprints and artist's renderings and became prototype hardware. Manufacturing Research and Development has centered around FAST—Fashion Apparel System of Tomorrow. Not just a new machine or process, FAST is a totally new concept in apparel manufacturing.

Instead of manufacturing apparel on a traditional production line, FAST organizes production by "skill centers." Instead of needing to make a huge volume of identical styles in order to cut costs per unit, FAST establishes a fixed cost per unit at any level of production. Rather than having to sell what has already been made, FAST means being able to make what has already been sold.

Implementing this system has been a matter of re-education as much as anything else. In applying FAST to actual operations, many traditional concepts of apparel manufacturing were found to be inefficient. Changing old ideas is never easy, but our divisions have been adapting, and the results have proved FAST's value: a men's wear division has cut delivery time on reorders by twenty-five percent; a woman's wear division has reduced its in-process inventory by two-thirds without reducing its ability to fill orders. These two examples are especially significant since they are the only two GENESCO divisions in which a full FAST program

has yet been put into operation, and since they represent benefits achieved from less than one year of using FAST. With increasing implementation and familiarity with FAST, even these results will be greatly improved.

In developing FAST, a number of technological breakthroughs have been made. This fall a pilot plant will begin using a CO_2 laser to cut material for men's suits. Controlled by a Xynetics device operating on the Sawyer principle, the laser beam cuts swiftly and accurately to a tolerance of a single thread.

In conjunction with the laser, GENESCO researchers have developed a unique system of one-high cutting. Traditionally, material for apparel is spread many layers high, then cut out with powered knives. By cutting only one layer at a time, the laser can cut more accurately and save substantially on material. And the Xynetics driven laser is so fast that it can cut the same number of pattern pieces one-high in less time than the conventional method cutting multiple layers. Thus one-high cutting means better service to customers through reduced in-process inventories, increased manufacturing flexibility and faster reaction to fashion changes.

Time-lapse photography captures the track of the laser cutting a man's suit jacket

A second development is computer pattern making, now in use in one of our women's dress divisions. In addition to grading patterns to any size automatically, designers now use the computer to create brand-new designs. The savings in time mean the ability to get new styles into production more rapidly.

The importance of FAST is that it makes rapid response to changing fashion possible and profitable. This fast reaction will mean a significant competitive advantage for GENESCO divisions.

Fast reaction to fashion changes is worthless, however, if advanced knowledge of these changes is not available. To meet this need, GENESCO's Consumer Research Department is applying advanced statistical sampling and surveying techniques developed in other industries to the needs of the apparel industry.

One highly significant tool being used is the Consumer Purchase Report, a monthly survey of the apparel buying habits of some 7,000 randomly sampled households across the U.S. Using high-speed computer analysis, GENESCO researchers can spot trends, pinpoint markets, and even test market propositions. Two examples of the value of this data are: the prediction of the rise in importance of men's slacks and jeans as a fashion item, and the early detection of the growth of women's at-home and lounge wear.

As people increasingly use different styles of apparel to demonstrate their individuality, Consumer Research will play an increasingly vital role at GENESCO.

A third effort concerns the marketing research which is aimed at retail stores, chains, and mass merchandisers who are customers of our wholesale and manufacturing divisions. By studying these customers and learning their goals and needs, marketing research can help GENESCO divisions formulate strategy for selling these customers. A good example is Easy Street, the Footwear Group's new women's shoe line. A marketing study helped determine the market, styling, and price range for the new division, aiming it at a consumer market not previously being served.

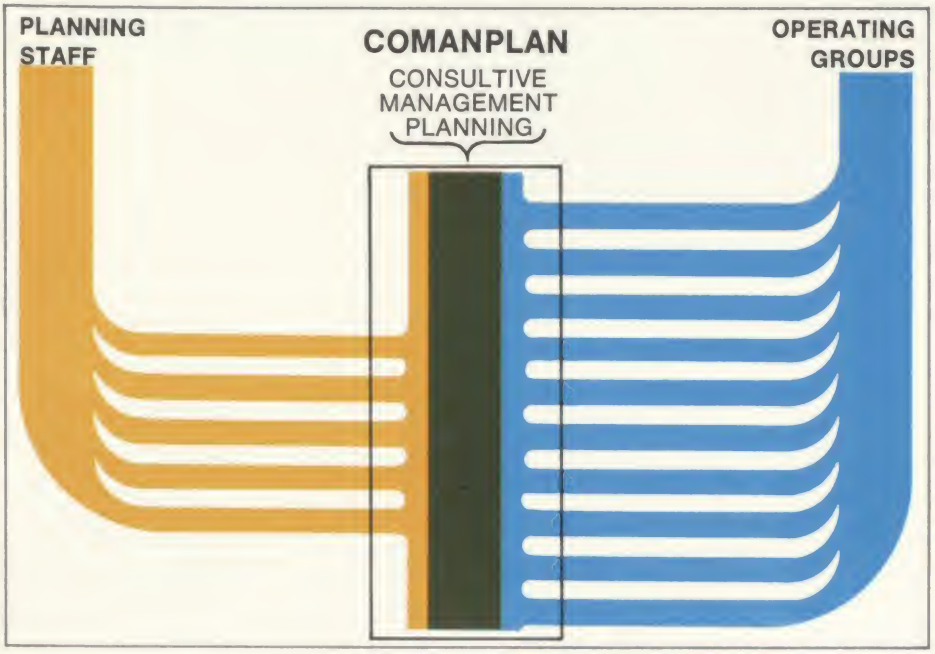
At the same time, the marketing program promotes the exchange of information and ideas between GENESCO divisions, even arranging joint sales efforts. For example, it was arranged for two children's wear divisions to present a coordinated sales program to a major retailer. The result was better business for both the divisions and better service for the retailer.

The significance of Research and Development at GENESCO is not that it is unique among U.S. industry —it is not. What *is* important is that our research effort *is* unique in the apparel industry. We have taken the lead in modernizing our industry, and it is already obvious that the results will be significant.

Organization Structure

Because of the size and extent of its operations, GENESCO can function profitably only with the proper organization for effective control and decision making. In order to take maximum advantage of its size while avoiding a slowdown in reflexes, GENESCO has developed a system of management which is unique in the apparel industry.

First, in addition to the Board of Directors and the usual corporate operating committees, GENESCO has established a Board of Governors, composed of its key corporate and operating company executives and including all members of the Board of Directors. This Board of Governors, through frequently scheduled meetings, guarantees the interchange of ideas, innovations, and other information at the top decision-making level, and at the same time acts in an advisory capacity on questions which affect the whole corporation.



The major responsibilities of the corporation are divided between the Chairman and the President of the Corporation. All planning, consultive and service departments which provide services *for* operating companies, and the Transnational Group (operations outside the U.S.A.) report to the Chairman of the Corporation. All domestic operating groups, and departments providing services *within* operating companies report to the President of the Corporation.

This type structure provides for clear-cut distinction between the areas of responsibility of the Chairman and the President and clear-cut reporting relationships. It also distinguishes between policy matters and operational matters.

The Chairman has directly under him the departments to which he looks for aid in the evaluation and formulation of long-range objectives, plans and policies. In addition, central services such as finance, tax, legal, insurance and others are provided *for* the operating companies. This enables the operating company management to concentrate their full efforts on the more dynamic aspects of their operations.

The President provides top management attention to operating matters. He also has under his control the service departments which provide services *within* operating companies. This provides quicker service and smoother feedback of information pertaining to operations.

On the operating level, all companies are organized into groups based on product line or type of operation. Each group of operating companies is headed by a group director who is a corporate vice president. These operating companies are largely autonomous, operating on a decentralized basis. Each operating company has a board of directors and company officers elected by the GENESCO Board of Directors. (An outline of GENESCO's organization can be found beginning on page 6.)

In order to coordinate operating company activities with the overall corporate plan, each operating company goes through a process of COnsultive MANagement PLANning. Every six months, every operating company develops a detailed plan of operation for the coming six months. This plan indicates in specific detail what direction the operating company will take, what financial and other resources it will require, and what results it plans to achieve on a month-by-month basis.

The operating company president formulates his own plan. After consulting with his group director to determine what is expected of his company, he then consults with the appropriate corporate planning executives. Finally, working with his own management team, he devises a plan to which his company is committed and for which he is responsible.

After the plan is submitted to the group director and accepted, the results of the operating company are reviewed monthly. Any significant deviation from plan is noted and corrective action is taken.

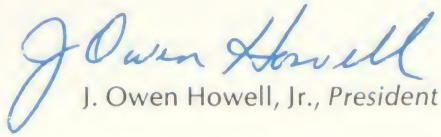
GENESCO's system of management is designed to utilize fully the talents of all the individuals in the Corporation. This system of management is adaptable to various types of situations, provides for fast decentralized action, but is carefully coordinated. This is done through an advance planning program, centralized financial management, a fast information system, and an organization structure that provides specialized consultive executives in addition to line executives to whom responsibility for action and results is delegated.

As GENESCO moves toward two billion dollars in sales, it has been, and will continue to be, necessary to make changes in the organization structure of the business. These changes will ensure that our past strengths such as quick decision making, clear-cut communications and fast reaction time continue to exist.

The Future

Looking ahead to fiscal 1971 is not easy. We have seen a number of encouraging signs in the economy and from our own recent sales figures, but there are still too many uncertainties to make a meaningful forecast. Beyond the short-term future, however, we have no hesitation. GENESCO is already the world's largest apparel company, more than twice the size of our nearest competitor. We have an organization structure that fully utilizes the benefits of our size and resources. And we are continuing with our research, which is rewriting some of the basic concepts of apparel manufacturing and marketing. In short, we look to the Seventies for major growth and development at GENESCO.

Franklin M. Jarman, *Chairman*



J. Owen Howell, Jr., *President*

Chairman of the Corporation

Reporting to the Chairman are the corporate planning, consultive, and service departments which provide services *for* the operating companies. These departments assist the Chairman in the formulation and evaluation of long-range objectives, plans and policies.

Planning executives assist operating company management in developing specific plans which detail the direction the operating company will take. Each planning executive reviews with each operating company president the results expected and the resources required to achieve these results. Consultive executives review specific activities with operating company presidents and discuss methods to achieve plans. Service department executives provide services for operating company management, such as finance, tax, legal, insurance and others, which they would ordinarily have to provide for themselves. This enables operating management to concentrate on operational matters rather than non-operational details which do not produce operating income.

In addition, one operating group, Transnational, reports to the Chairman. Since Transnational operations are vastly different from domestic operations, the reporting responsibilities have been separated.

Franklin M. Jarman**
13 years' service

Central Marketing

William S. Flanagan**
Vice President
21 years' service

Organization Planning

Ralph H. Bowles*
Vice President
10 years' service

Central Finance, Control, and Administration

J. G. DeLacey*
Vice President
19 years' service

Transnational Group

Robert C. Hilton*
Vice President
10 years' service

Central Planning

Larry B. Shelton*
Vice President
14 years' service

Corporate Development

Leonard K. Guiler*
Vice President
27 years' service

Operations Planning and Coordination

Kirk H. Low*
Vice President
23 years' service

Manpower Planning and Coordination

George C. Collins*
Vice President
36 years' service

Treasurer

William S. Wire II*
8 years' service

*Board of Governors
**Board of Governors and Directors

President of the Corporation

Reporting to the President are the eight operating groups of GENESCO which include all domestic operating companies. Each operating group is headed by a group director who is a corporate vice president and reports to the President. On the pages which follow, these group operations are described in detail.

The Operations Service Group reports to the President through the Executive Vice President. This group consists of departments which provide services *within* operating companies. These services are needed by all operating companies on a current or day-to-day basis. Some of these services include employee benefit programs, real estate, traffic, electronic data processing and others.

J. Owen Howell, Jr.**
23 years' service

Specialty Group and Operations Service Group

E. DeVaughn Woods**
32 years' service
Executive Vice President-Corporate Secretary

Universal Group

W. Gregory Quick**
Vice President
21 years' service

Men's Outer Apparel Group

Sam A. Buchanan**
Vice President
35 years' service

Women's and Children's Outer Apparel Group

Edward F. Carney*
Vice President
6 years' service

Footwear Manufacturing and Distribution Group

H. Nelson Carmichael**
Vice President
34 years' service

Under Apparel Group

Eli G. White*
Vice President
26 years' service

Unified Chain Retail Group

Fred A. Lang*
Vice President
22 years' service

Standard Retail Group

William H. Mier*
Vice President
31 years' service

National and Special Accounts

Duke J. Rose*
Vice President
20 years' service

Distribution

Charles W. Cook**
Vice President
39 years' service

*Board of Governors
**Board of Governors and Directors

Transnational Group

Robert C. Hilton, *Group Director and Corporate Vice President*

The Transnational Group consists of GENESCO's non-U.S. operations, plus all exporting, importing and licensing services. Since these operations entail international financing and relations with foreign governments, the Transnational Group Director reports directly to the Chairman of the Corporation.

Transnational operations are already extensive: 64 manufacturing plants and terminals and 421 retail stores in some 15 foreign countries, including England, France, Germany, Switzerland, Portugal, Belgium, Italy, the Netherlands, Canada, and Australia. Licensing agreements are currently in force with 23 companies, and through the Export Division, GENESCO American companies sell apparel to some 74 foreign countries.

GENESCO's concept of Transnational operations is to introduce the techniques of production, management, and capital utilization developed in U.S. operations, while leaving the actual management and operation of each company in the hands of nationals. Using this concept, we expect this group to prove one of the areas of greatest future growth for GENESCO.

Cana-Gen

Dan Gregory
Area Director
25 years' service

Agnew-Surpass Shoe Stores, Ltd.
Coast-to-coast chain of family shoe stores
Robert Whitby
President

British Rubber Corporation
Manufacturers and distributors of protective footwear
Edward G. Wellheiser, *President*

Formfit of Canada
Intimate apparel
W. J. Moss
President

General Shoe of Canada
Manufacturers and wholesalers of men's, women's and children's shoes
Dan H. LeRoy
President

J. A. Johnston Company, Ltd.
Wholesalers and retailers of shoes for men, women, and children
Peter D. L. Johnston, *President*

CHARLES JOURDAN

BRITISH RUBBER

ETERNA

Euro-Gen

B. H. Willingham Jr.
Area Director
9 years' service

Chaussures Rehault, SA.
Manufacturers, wholesalers and retailers of women's shoes
Jean and Pol Rehault, *Directors*

Confezioni San Remo, S.p.A.
Manufacturer of men's and boys' ready-to-wear clothing
Giuliano Bianchi
General Manager

GENESCO Europa
Manufacturers and wholesalers of under and outer apparel for men, women and children
Vernon Suter
Chairman

H. & M. Rayne Co.
Rayne and Delman quality fashion women's shoes. Salons in New York, London and other cities.
Edward Rayne*
President

Charles Jourdan and Sons
Manufacturers and distributors of designer women's shoes in Europe and the United States
Rene, Charles, Jr., and Roland Jourdan
Directors

Trans-Gen

Francis W. Parker
Managing Director
23 years' service

Export
Don Carlton
General Manager

Footwear Import
William Fite
President

Nadia, S.A.
Manufacturing, wholesaling and retailing of women's shoes
Charles Sanders
Managing Director

Formfit of Australia
Under apparel manufacturing and wholesaling in the Pacific area
Brian Ettelson
Managing Director

Trans-Gen Specialties
Fowler Hollabaugh
General Manager

MARLYN SPORTSWEAR

FOOTWEAR IMPORT

*Board of Governors

Universal Group

W. Gregory Quick, *Group Director and Corporate Vice President*

The function of the Universal Group is to provide raw materials and components for the manufacture of apparel. Although Universal operations were begun to insure our sources of leather during World War II, they have since been broadened to include many other kinds of apparel components, and have been expanded to increase the benefits of vertical integration. Currently, 30 plants and processing terminals produce a broad range of apparel components: from hides for shoe leather to all types of knits for men's and women's apparel.

In line with corporate policy, however, each company in the Universal Group sells a percentage of its output to non-GENESCO companies, thus maintaining competitive pricing and avoiding the inefficiencies which often characterize "satellite" companies. This competitive necessity has also resulted in profitable developments by Universal divisions. Two examples: General Adhesives and Chemical Company, primarily a manufacturer of adhesives for footwear construction, developed a bonding material which is now specified for use with AstroTurf.® Wood and Hyde Leather Company, a major supplier of apparel leather, has recently developed a significantly lighter, thinner leather which holds great significance for new uses of leather in apparel.

Conleco

Thomas B. McAlister
President
12 years' service

Elliott Associated Companies
Cattle hides
Frank Pilchard
President

H. Elkan Company
Hide brokers
Ted Zitnik
President

Leacon
Leather processing and finishing
Thomas B. McAlister, *President*

Wood & Hyde Leather Company
Garment leather
Dexter Sweet
President

SWIFT SPINNING MILLS

LEACON

LEBANON KNITTING MILL

Gentex

C. L. Stafford
President
1 years' service

Kingsboro Mills
Tricot and raschel knit fabrics
C. L. Stafford
President

Lebanon Knitting Mill
Single and double knit fabrics
Stanley Grossman
President

Mantex

G. Warren Gregory*
President
31 years' service

Byproco
By-products distribution and disposal
Leonard Kushins
President

Capitol Products Company
Cartons and containers
V. J. Johnson
President

General Adhesives and Chemical Company
Adhesives, sealants, finishes and chemical products
Leamon H. Harris
President

Kingtex Fabrics Company
Circular knit industrial fabrics
Marcus C. McCreary, *President*

Swift Spinning Mills
Cotton, synthetics, and wool blend spun yarn

Peter D. Morrow
President
2 years' service

GENERAL ADHESIVES AND CHEMICAL

KINGSBORO MILLS

*Board of Governors

Men's Outer Apparel Group

Sam A. Buchanan, *Group Director and Corporate Vice President*

The men's fashion revolution of the 1960's is continuing into the '70's, and we see men determined to express their moods and individuality in the clothes they wear. This new awareness of personal appearance does not seem to be limited by age or income.

The extent, variety and flexibility of the Men's Outer Apparel Group have enabled it to move with this fashion revolution to capitalize fully on it. Men's apparel companies now produce and distribute apparel ranging from formal wear to work clothes, in most of the major price ranges for each item. And in all cases, fashion is the keynote.

The initial men's fashion revolution was mainly in men's suits, and they have continued to develop. Casual wear and sportswear, especially slacks, have also been very strong. Now, with the freer, more casual atmosphere, distinctions between dress and sportswear are fading. A good example is the "non-suit suit," which is already coming into popularity. One of the most significant developments is the use of knits for men's suits, especially in the "Easy Suit" which is constructed in such a way that the good qualities of knits can be translated into real comfort features for the man.

Currently, the companies of the Men's Outer Apparel Group have 60 plants and processing terminals producing and distributing outerwear.

Baltimore Clothes

David L. Greif II*
President
21 years' service

English-American Tailoring Company
Individualized, made-to-order men's clothes
Mark J. Sloman
President

L. Greif and Bro.
Wholesaler of men's clothes in the higher and medium price ranges
David L. Greif II
President
Richard Moore
Vice President

WeatheRogue, Inc.
Rainwear for men
Morse Gevanthor
President

Seaboard Manufacturing Company
Manufacturer of men's clothes in the higher and medium price ranges
Robert J. Murphy
Vice President

PHOENIX

ESQUIRE SPORTSWEAR

*Board of Governors

Haywood Company

Felix M. Weisiger
President
27 years' service

Hayes Garment Company

Men's and women's denim and twill apparel

Robert F. Hayes
President
20 years' service

H-K Corporation

Distributors of Male slacks and jeans

Tavin Kaminsky
President
5 years' service

J. M. Wood Manufacturing Co., Inc.

Utility and casual clothes for men

Felix M. Weisiger
President

Victor Clothing Company

Alexander Lerner*
President
25 years' service

Monty Comer
Executive Vice President

Hardy Amies—U.S.A.

Distributor of men's fashion apparel designed by Hardy Amies

Richard Frank
President

Esquire Sportswear Manufacturing Company

Men's slacks, sportswear, and rainwear

David Lewis
President
Mac Lewis
Executive Vice President

Jordan Clothing Company

Private label men's clothing

Bill Jump, *President*

Phoenix, Inc.

Men's clothes

Steven Lerner
Vice President

Victor Manufacturing Company

Manufacturer of men's clothing

Mario DiSanto
Vice President

HARDY AMIES

H-K CORPORATION

*Board of Governors

Women's and Children's Outer Apparel Group

Edward F. Carney, *Group Director and Corporate Vice President*

If the apparel industry as a whole is fragmented, the women's and children's segment has suffered most from this fragmentation. The wide range of prices, styles and sizes has generated a vast number of small businesses, usually consisting of a president, a designer and a sales force. Such businesses face constant problems with contract production, insufficient capital, and inadequate management. Historically, the result has been a high rate of mortality.

GENESCO's Women's and Children's Outer Apparel Group has changed this pattern. First, contract production is rapidly being replaced by wholly owned production facilities, thus affording greater control over vital production costs. Second, centralized money management provides an assured source of capital to operating company presidents, freeing them to concentrate on their particular area of apparel expertise. Third, corporate specialists furnish technical information and assistance not otherwise available.

By avoiding the historical pattern, GENESCO's Women's and Children's Outer Apparel Group is establishing a new era of growth and stability.

Associated Sportswear

Frank Rockman
President
2 years' service

Beverly Paige
Misses' sportswear
Arthur Lewson
President

Kelita Sportswear
Junior and junior petite sportswear
Fred Robbins
President

Berkshire Apparel Corporation

Manufacturer and distributor of women's, misses' and half-size dresses

Vincent Visconti
President
12 years' service

NEW YORK MACKINTOSH

G. H. & E. FREYDBERG

KENROSE

G. H. & E. Freydberg, Inc.
Popular priced children's apparel

Irwin G. Freydberg*
President
32 years' service

Appomattox Garment Company, Inc.
Children's apparel manufacturing
Frederick H. Lawson
President

Mary Jane, Inc.
Wholesaler of children's clothes
Murray B. Harran
President

Michele of Miami
Wholesaler of ladies' dusters and dresses
George Katzenberg
President

Richard-Shae of Miami
Manufacturer of ladies' dusters and dresses
Richard Elkman
President

Winking Whale
Retail stores
Virginia Rosser
General Manager

Girltown, Inc.
Sportswear for girls and junior misses

Leo Marcus
Chairman
26 years' service

Lawrence Halpern
President
9 years' service

Kenrose Manufacturing Co., Inc.
Women's popular priced dresses, robes and sportswear

Arthur Rosenstein
President
14 years' service

Kire Mfg. Co., Ltd.
Manufacturing plants in Ireland
Jack Liss, *Manager*

Tapco

William B. Thomas*
President
27 years' service

Susan Thomas, Inc.
Co-ordinated sportswear, dresses and separates for misses and juniors
William B. Thomas
President

Susan Thomas, Inc. (*Continued*)

New York Mackintosh
Water repellent outerwear for girls, misses and juniors

William Mendl
President
15 years' service

Rona Dresses, Inc.
Ladies' dresses and ensembles

Randolph Rosenthal
President
30 years' service

GIRLTOWN

BERKSHIRE

SUSAN THOMAS

Footwear Manufacturing and Distribution Group

H. Nelson Carmichael, *Group Director and Corporate Vice President*

GENESCO began as a footwear company, so the structure and organization of the Footwear Group is the most highly developed and completely implemented. It is also widely emulated in the industry.

The 36 Footwear plants and terminals produce a complete range of styles, types and prices for men, women and children: 32 million pairs plus in fiscal 1970 distributed to over 28,000 retailers. Production and distribution of these shoes are almost completely integrated vertically. Raw material requisitions are carefully coordinated with the Universal Group on the basis of orders received. Production is computer scheduled to insure an even work load in every plant. Much of the distribution is done through fully automated warehouses designed by GENESCO's central staff of engineers. Up-to-date information on sales is supplied by GENESCO retail stores. Reports from the Men's and Women's Outer Apparel groups provide important data on colors, styles, and patterns which will influence shoe design.

Proof of the value of this concept of management is the fact that the Footwear Group has consistently been one of GENESCO's most profitable.

Footwear Manufacturing

James H. Cheek, Jr.* *President*
23 years' service

Pyramid Manufacturing
Plants in southern states manufacturing women's and children's shoes
Brandon Edmondson* *General Manager*

Triangle Manufacturing
Plants in southern states manufacturing men's and boys' shoes
Paul J. Smith *General Manager*

Footwear Marketing

George Q. Langstaff, Jr.* *Director*
22 years' service

Big Val Shoe Company
Discontinued shoe sales
Charles Guthrie *President*

Gesco Special Services
Robert Holzemer *General Manager*

Mark Downes Stores
Neamon Ramsey *Operations Manager*

Imperial Shoe Company

Fowler Low, *President*
14 years' service
William C. Cook *Vice President*

Charm Step Shoe Company
Women's popular priced shoes
Phillip C. Ponder *President*

Cover Girl Shoe Company
Contemporary shoes for young women
William W. Wells *President*

Easy Street Shoe Company
Women's moderate priced dress and casual shoes
Arthur Helf *President*

Mannequin Shoe Company
Medium priced women's fashion shoes
John Rimsky *President*

National Vogue Shoemakers
Women's shoes for independent retailers and department stores
C. William Cathey, *President*

Youngtimer Shoe Company
Children's shoes
William C. Cook *President*

*Board of Governors

Men's Branded Footwear

Edward W. Graham, Jr.**
Director
24 years' service

Cedar Crest Shoe Company
Men's and boys' service, dress and special purpose shoes and boots
Frank Merhoff
President

Douglas Shoe Company
Men's and boys' dress and service shoes and boots
Michael Vogel
President

Fortune Shoe Company
Shoes for the young man
Leonard Paul
President

Jarman Shoe Company
Jarman shoes for men
Harry Clark
President

Jarman Retail
Men's shoe stores and leased departments featuring Jarman shoes
William H. Maclay, *President*

Johnston & Murphy Shoe Co.
J&M and Frank Bros. shoes for men
John M. Settle
President

Murphy Retail
Leased departments featuring J&M shoes
James A. McCann
President

Sandy McGee Shoe Company
Men's and boys' popular priced shoes
W. Thomas Bowers
President

Republic Shoe Company
Shoes for private label volume trade

William W. Earthman*
President
23 years' service

Sentry Shoe Company
Shoes for the private label volume trade

William Lyle Hammond
President
31 years' service

Zenith Shoe Company

Houghton D. Vaughn**
President
40 years' service

Dominion Shoe Company
Shoes for the private label volume trade
John Bracewell
President

Kleven Shoe Company, Inc.
Women's private brand fashion shoes
Howard Grayson
Executive Vice President

YOUNGTIMER SHOES
For Buffy™ and Jody™ of television fame

JOHNSTON & MURPHY

SENTRY

*Board of Governors
**Board of Governors and Directors

Under Apparel Group

Eli G. White, *Group Director and Corporate Vice President*

The most significant change in under apparel has been the new sense of freedom and fashion in what were once considered strictly utilitarian garments. Women's under apparel started the trend, and the Formfit Rogers division of Intimco has helped lead the way, first with lingerie featuring colorful prints by Emilio Pucci, then with free-flowing loungewear and the subtle support of stocking girdles. Panti-hose sales of the Charles H. Bacon Co. have boomed. Women's and children's sleepwear in Greensboro's fashion lines continue to receive excellent consumer acceptance.

Now the Ainsbrooke division has brought out a line of disposable swimwear so people can swim on impulse, free from having to carry swimsuits with them. In popular priced conventional women's swimwear, Robby Len Swimfashions continues its fashion leadership. And Mayfair Sportswear's easy, leisure-oriented fashions show growing appeal to the young market.

Paralleling the trend in women's wear, men's under apparel has also moved into fashion. Traditional white is now frequently replaced by colors, stripes and patterns in underwear from Ainsbrooke, Flagg-Utica, and Lally. Camp & McInnes is doing a brisk business in colorful hosiery designs by John Weitz and Hardy Amies.

The swift change from traditional styles and colors to fashion and freedom in under apparel has posed problems, but the combined 36 manufacturing and distributing centers of the Under Apparel Group have moved rapidly to turn such problems into profitable opportunities.

Charles H. Bacon Company, Inc.
Hosiery

E. C. Cifers
President
9 years' service

Camp and McInnes, Inc.
Quality men's hosiery

Erwin Camp
Chairman
25 years' service

Leo Camp
President
24 years' service

Greensboro Manufacturing Company
Popular priced women's and children's sleepwear

Harvey Colchamiro
President
19 years' service

Intimco
Foundation garments and lingerie, pajamas and loungewear

John Currier*
President
3 years' service

AINSBROOKE

GREENSBORO

CAMP AND McINNES

*Board of Governors

Lally Manufacturing Company
Men's and boys' insulated garments and thermal underwear

John W. Lally
President
12 years' service

Robby Len Swimfashions
Moderate priced women's swimwear

Louis Brumberger
President
18 years' service

Mayfair Company

Morton Flamberg
President
25 years' service

Ainsbrooke
Men's and boys' underwear and pajamas
Morton Flamberg
President

Flagg-Utica Company
Fabrics, underwear

Robert G. Davidson
President
15 years' service

Troy District Shirts
Men's dress shirts
Jesse P. Schwartz
General Manager

Mayfair Sportswear
Casual outerwear

J. E. Vilagi
President
16 years' service

ROBBY LEN

INTIMCO

MAYFAIR SPORTSWEAR

AINSBROOKE

CHARLES H. BACON

Unified Chain Retail Group

Fred A. Lang, *Group Director and Corporate Vice President*

The Unified Chain Retail Group consists of nationwide chain stores offering popular and medium priced apparel and footwear. In fiscal 1970, total Unified operations came to over 930 stores and leased departments.

A major advance in operations has been the introduction of a sophisticated model stock system in most Unified shoe stores. Using a computerized reorder system and a fully automated warehouse developed by GENESCO engineers, most Unified stores can now reorder an out-of-stock pair of shoes on Saturday evening and have it back in stock for the following Saturday.

This system, which means significant inventory savings, is a good example of one benefit of GENESCO's research and development.

V. J. Elmore Inc.
Budget store chain, primarily in the South

Joe B. Long*
Managing Director
32 years' service

Raymond Hales
President
35 years' service

Flagg Bros.
Shoe stores featuring footwear designed particularly for young men

Robert S. Cochran
President
7 years' service

John Hardy Shoe Company
Popular priced men's shoe stores

Joe B. Long
Managing Director

Richard H. Fahey
President
29 years' service

Superior Shoe Company

Marion Markus*
President
5 years' service

Bell Brothers Shoe Company
Popular priced family shoe stores
Edward Meddars
President

Berland Shoe Company
Leased family, women's and men's shoe departments

Interstate Shoe Company
Family shoe stores and leased shoe departments from coast to coast including: Brittain's, French Bootery, Guarantee shoe stores, Innes shoe departments, and Sommer and Kaufmann shoe stores
Harry A. Levine
Executive Vice President

TNT Shoe Company
Allen and Holiday-Wise women's shoe stores

Robert J. Butner
President
22 years' service

Valmart
GENESCO commissaries and outlet stores

E. D. Peeler
President
25 years' service

V. J. ELMORE

HOLIDAY-WISE

FLAGG BROS.

*Board of Governors

Standard Retail Group

William H. Mier, *Group Director and Corporate Vice President*

112 stores in 15 states and some 80 cities make up the Standard Retail Group. Although some stores have fine women's departments, this group consists basically of better quality men's wear stores. Each store group enjoys a reputation for quality merchandise and fashion leadership in the communities where it operates.

The success of these stores has been their ability to present a combination of fashion and good taste. The customer who once wore the same dark suit for business and social occasions needs advice in buying a more fashionable wardrobe, and he knows he can look to the stores of the Standard Retail Group with confidence. This reputation as authorities on fashion has enabled these stores to benefit from the men's fashion revolution.

National Clothes

Robert DeCosta
President
1 year's service

Baron's Men's Shops
Men's clothing stores, principally in southern Florida

Earl Pertnoy
President
24 years' service

Burkhardt's
Men's clothing stores in the Cincinnati, Ohio area

Ralph Nash
President
12 years' service

Burkhardt-Davidson's
Men's clothing stores in the Cleveland, Ohio area
Kenneth Davidson
President

Burkhardt-Mallernee's
Men's clothing stores in the Nashville, Tennessee area
Robert Schaich
General Manager

Graves-Cox & Co.
Men's clothing stores in the Lexington, Kentucky area
Leonard G. Cox Jr., *President*

Hall-Brown
Men's clothing stores in the Knoxville, Tennessee area
Fred Brown
Chairman
James Hall
President

M. Gilbert and Sons Company, Inc.
Men's and women's apparel stores in the South Bend, Indiana area

Paul Gilbert
President
44 years' service

McFarlin's
Men's and women's clothing stores in Rochester and Syracuse, New York
Phillip Brandmier
President

L. Strauss and Company, Inc.
Men's and women's apparel stores in the Indianapolis, Indiana area

William Freeman
President
15 years' service

R.A.M.—Retail Apparel for Men
Men's apparel stores in New York City and other locations. Stores include Frank Bros., Roger Kent and Whitehouse & Hardy

Bruce G. Allbright
President
21 years' service

Roos/Atkins

Men's and women's apparel stores in California, Nevada, Washington and Oregon

Ron Wilhite
President
9 years' service

McInerny's
Men's and women's clothing stores in Hawaii
Lawson H. Riley
President
William Fontana
Executive Vice President

ROOS/ATKINS

BARON'S

McINERNY'S

Specialty Group

E. DeVaughn Woods, *Group Director and Executive Vice President–Corporate Secretary*

Fashion leadership—the ability to interpret, define and merchandise fashion in women's footwear and apparel profitably—is the goal of the companies in GENESCO's Specialty Group. The 30 stores in the group are good centers of profit, and each offers the latest in high fashion and good taste along with personal service and attention to a discriminating market.

Gidding-Jenny is the acknowledged leader in elegant, high-quality fashion, designer name apparel in the Ohio, Indiana and Kentucky areas. Henri Bendel in New York City has been acclaimed as a "jewel box," a one-of-a-kind store offering a very personal style of fashion. The I. Miller salons present the finest in fashion footwear, featuring I. Miller and David Evins designs. Evins, I. Miller and Mademoiselle footwear are also distributed through independent prestige retail stores throughout the country.

Each company in the Specialty Group, in addition to being a source of profit and prestige, serves as an advance listening post on the first line of women's fashions, sharing their information with other GENESCO divisions.

Henri Bendel

Specialty fashion apparel store for women on 57th Street in New York

Geraldine Stutz
President
16 years' service

Car-Mil Company

Manufacturer and wholesale distributor of Mademoiselle and I. Miller shoes for women

Harold C. Christiansen
President
10 years' service

Evins, Inc.

Evins quality fashion footwear for women

David Evins
President
24 years' service

Gidding-Jenny, Inc.

Specialty apparel stores for women in Ohio, Indiana and Kentucky

Bertram E. Fishel
Chairman
23 years' service

I. Miller Salons

Women's quality fashion shoe salons featuring I. Miller, Evins, Ingenue and Millerkins shoes

Jane R. Evans
President
5 years' service

I. MILLER SALONS

CAR-MIL

GIDDING-JENNY

EVINS

Other Retail

Both Bonwit Teller and S. H. Kress & Co. would ordinarily belong in an operating group. Because of the size and extent of these two operations, however, both store groups operate independently, reporting directly to the President of the Corporation.

Bonwit Teller has made retailing history with its introduction of fashion boutiques within a larger store. Bonwit's also pioneered the offering of top designer clothing on an exclusive basis. There are 13 Bonwit Teller stores currently, and plans call for a new store every 18 months.

S. H. Kress is a nationwide chain of 317 budget apparel and variety stores. When acquired by GENESCO, Kress was one of the original "dime stores." Since then, Kress has moved rapidly towards eliminating unprofitable units and opening new stores in expanding areas. The most significant change has been the continuing and increasing emphasis on budget apparel as Kress' major area of merchandise.

Bonwit Teller Company

Specialty apparel stores in New York, Chicago, Cleveland, Boston, Philadelphia, Palm Beach, Manhassett (L.I.), Short Hills (N.J.), Oak Brook (Ill.), Jenkintown and Wynnewood (Pa.), Westchester County (N.Y.) and Troy (Mich.)

William M. Fine*
President
2 years' service

S. H. Kress & Company

Nationwide chain of budget apparel and variety stores

George Schwartz*
President
3 years' service

BONWIT TELLER

S. H. KRESS

Consolidated Balance Sheet

ASSETS

Current Assets:	1970	1969 RESTATED FOR POOLINGS OF INTERESTS
Cash	$ 35,033,000	$ 43,131,000
Receivables	82,645,000	124,693,000
Inventories	269,519,000	253,499,000
Prepaid expenses	3,201,000	4,105,000
Prepaid income taxes	10,389,000	—
Total Current Assets	400,787,000	425,428,000
Investments and long-term receivables	24,811,000	16,350,000
Plant, equipment and lease rights	152,152,000	131,436,000
Deferred charges	9,819,000	8,703,000
TOTAL ASSETS	$587,569,000	$581,917,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable, accrued expenses, income taxes and current portion of long-term debt	$ 83,185,000	$ 89,286,000
Long-term debt	111,040,000	117,902,000
Lease obligations	52,875,000	39,865,000
Minority interests	738,000	1,393,000
Deferred income taxes	6,766,000	6,325,000
Deferred credits to income	24,635,000	24,559,000
Stockholders' equity	308,330,000	302,587,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$587,569,000	$581,917,000

This page should be read in conjunction with the Financial Review on pages 27, 28, 29, and 30.

Consolidated Earnings

Year ended 31 July	1970	1969 RESTATED FOR POOLINGS OF INTERESTS
Sales	$1,250,675,000	$1,239,535,000
Sales of discontinued operations	7,866,000	14,407,000
Sales of continuing operations	1,242,809,000	1,225,128,000
Other income	3,912,000	1,719,000
Total Income of Continuing Operations	1,246,721,000	1,226,847,000
Cost of sales	869,252,000	859,816,000
Selling, administrative and general expenses	309,468,000	291,404,000
Interest expense	19,547,000	12,763,000
Federal, state and Canadian income taxes	21,283,000	29,707,000
Minority interests	269,000	120,000
Total Deductions of Continuing Operations	1,219,819,000	1,193,810,000
Earnings from continuing operations	26,902,000	33,037,000
Loss from discontinued operations net of income tax credits of $2,185,000 and $1,777,000	2,407,000	2,036,000
Earnings before extraordinary item	24,495,000	31,001,000
Extraordinary loss on disposition of discontinued operations net of income tax credits of $1,801,000	2,368,000	—
Net earnings	$ 22,127,000	$ 31,001,000
Earnings per common and common equivalent share		
Primary:		
Continuing operations	$2.07	$2.71
Discontinued operations	(.21)	(.18)
Before extraordinary loss	1.86	2.53
Extraordinary loss	(.21)	—
Net earnings	$1.65	$2.53
Fully diluted:		
Continuing operations	$1.90	$2.40
Discontinued operations	(.18)	(.16)
Before extraordinary loss	1.72	2.24
Extraordinary loss	(.18)	—
Net earnings	$1.54	$2.24

Consolidated Earnings Retained in Business

Year ended 31 July	1970	1969 RESTATED FOR POOLINGS OF INTERESTS
Balance at beginning of year	$ 170,959,000	$ 158,953,000
Net earnings	22,127,000	31,001,000
Common dividends paid	(17,678,000)	(16,594,000)
Preferred dividends paid	(3,321,000)	(2,401,000)
Balance at end of year	$ 172,087,000	$ 170,959,000

This page should be read in conjunction with the Financial Review on pages 27, 28, 29, and 30.

GENESCO

Consolidated Additional Paid-in Capital

Year ended 31 July	1970	1969 RESTATED FOR POOLINGS OF INTERESTS
Balance at beginning of year	**$120,773,000**	$100,736,000
Sales price or fair market in excess of par or stated value of common and preferred shares issued	**5,924,000**	15,052,000
Stated value of preferred stock or principal amount of notes converted, in excess of the par value of common shares issued in exchange	**973,000**	4,985,000
Balance at end of year	**$127,670,000**	$120,773,000

Consolidated Statement of Source and Use of Funds

Year ended 31 July	1970	1969 RESTATED FOR POOLINGS OF INTERESTS
SOURCE OF FUNDS:		
Net earnings	**$ 22,127,000**	$ 31,001,000
Depreciation and amortization	**11,901,000**	11,530,000
Amortization of deferred charges and increase in deferred taxes	**2,833,000**	2,915,000
Credits to earnings not providing funds	**(2,614,000)**	(1,768,000)
Funds derived from operations	**34,247,000**	43,678,000
Proceeds from sale of capital stock	**6,666,000**	18,966,000
Proceeds from long-term debt issued	**171,000**	11,267,000
Other changes in deferred credits to income	**2,508,000**	2,568,000
Plant and equipment sales, including sales and leasebacks	**8,659,000**	9,883,000
	$ 52,251,000	$ 86,362,000
USE OF FUNDS:		
Dividends paid	**$ 20,999,000**	$ 18,995,000
Treasury stock acquired	**2,052,000**	5,882,000
Long-term debt paid or charged against working capital	**7,033,000**	5,199,000
Change in minority interests	**655,000**	4,806,000
Other changes in investments and long-term receivables	**8,279,000**	6,211,000
Plant and equipment purchases	**28,265,000**	27,636,000
Increase in deferred charges	**3,508,000**	2,175,000
(Decrease) increase in working capital	**(18,540,000)**	15,458,000
	$ 52,251,000	$ 86,362,000

This page should be read in conjunction with the Financial Review on pages 27, 28, 29, and 30.

GENESCO

Accountants' Report

PEAT, MARWICK, MITCHELL & Co.
CERTIFIED PUBLIC ACCOUNTANTS
LIFE AND CASUALTY TOWER
NASHVILLE, TENNESSEE 37219

The Board of Directors and Stockholders
GENESCO Inc.:

We have examined the consolidated balance sheet of GENESCO Inc. and consolidated subsidiaries as of 31 July 1970 and the related statements of earnings, earnings retained in business and additional paid-in capital and the statement of source and use of funds for the year then ended. We have also examined the consolidated balance sheet of GENESCO Financial Corporation as set forth in the Financial Review below. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and statements of consolidated earnings, earnings retained in business and additional paid-in capital present fairly the financial position of GENESCO Inc. and consolidated subsidiaries and of GENESCO Financial Corporation at 31 July 1970 and the results of operations of GENESCO Inc. and consolidated subsidiaries for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and use of funds for the year ended 31 July 1970 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

26 August 1970

GENESCO Financial Review

All subsidiaries are consolidated, except GENESCO Financial Corporation, and those with operations outside the United States and Canada which have no material effect on the financial statements taken as a whole. Nonconsolidated subsidiaries, together with 50% owned companies, are carried at equity value with results of operations for the year reflected in other income. Canadian subsidiaries included in the consolidated financial statements were converted into U.S. dollars using the exchange rate in effect at 31 July 1970.

The 31 July 1970 condensed balance sheet of GENESCO Financial Corporation follows:

GENESCO Financial Corporation and Subsidiary
Consolidated Balance Sheet
31 July 1970

Assets	
Cash	$ 136,000
Accounts receivable purchased from GENESCO less a 15% contract reserve withheld	104,649,000
Note receivable—Trustee of GENESCO employee stock purchase plans	7,000,000
Notes receivable—other	4,181,000
Prepaid interest	1,266,000
Investments and other assets	534,000
	$117,766,000
Liabilities	
Notes payable to banks	$ 92,250,000
Subordinated 90-day notes due GENESCO	17,000,000
Accrued liabilities	630,000
Due to GENESCO	485,000
Equity of GENESCO	7,401,000
	$117,766,000

During the year, GENESCO acquired several companies on a pooling of interests basis and several companies which were accounted for as purchases. Comparative financial data for 1969 has been restated to include the companies pooled.

The 1970 and restated 1969 financials reflect the capitalization of certain leases arising out of municipal bond issues, sale-leaseback transactions and equipment leases. The capitalized property costs are included on the consolidated balance sheet in plant, equipment and lease rights and the related lease obligations are reflected separately. This change had no significant effect on net earnings for 1970 or 1969.

The loss from discontinued operations reflected in the consolidated earnings statement primarily resulted from the company's Majestic Specialties and Major Blouse divisions and its Latin American operations, all of which were closed during the year.

Accounts receivable at 31 July are itemized below:

	1970	1969
Total accounts receivable	$182,487,000	$175,837,000
Sold to financial institutions	(116,842,000)	(51,144,000)
Net	65,645,000	124,693,000
Due from GENESCO Financial Corporation	17,000,000	—
Total per consolidated balance sheet	$ 82,645,000	$124,693,000

Receivables as shown in the consolidated balance sheet are net of allowance for doubtful accounts and cash discounts amounting to $8,856,000 and $7,349,000 in 1970 and 1969, respectively.

During the year, GENESCO adopted a policy of selling certain of its accounts receivable to GENESCO Financial Corporation (GFC), a wholly-owned nonconsolidated subsidiary. The receivables are sold at the outstanding balance less a 15% reserve. During the year, GENESCO made a capital contribution of $6,000,000 and a subordinated loan of $17,000,000 to GFC.

GFC's earnings are derived primarily from monthly charges to the parent company which are designed to cover GFC's fixed charges at least 1.5 times. The net income of GFC is included in other income on the consolidated earnings statement of GENESCO.

Inventories are valued at the lower of approximate average cost or market and include finished products of $196,825,000 in 1970 and $182,001,000 in 1969. Raw materials and work in process amounted to $72,694,000 in

1970 and $71,498,000 in 1969. Inventories in transit at 31 July 1970 in the amount of approximately $5,800,000 are not included in the above.

GENESCO's investments and long-term receivables at 31 July 1970 consist of investments in nonconsolidated subsidiaries and 50% owned companies of $20,415,000, employees' secured stock purchase accounts of $2,290,000 and the cost of other investments in the amount of $2,106,000.

Plant, equipment and lease rights at cost are as follows:

	1970	1969
Land	$ 2,234,000	$ 2,448,000
Buildings and building equipment	13,775,000	17,969,000
Machinery and equipment	67,794,000	62,806,000
Furniture and fixtures	62,347,000	60,138,000
Construction in process	5,667,000	2,889,000
Improvements to leased property	54,198,000	48,687,000
	206,015,000	194,937,000
Less accumulated depreciation and amortization	108,571,000	104,154,000
Net plant and equipment	97,444,000	90,783,000
Lease rights	54,708,000	40,653,000
	$152,152,000	$131,436,000

Depreciation and amortization expense applicable to plant and equipment in 1970 amounted to $11,901,000 provided generally on the straight-line method based on the estimated life of each class of assets.

Lease rights include property costs which have been capitalized and are being amortized over the estimated useful life of the related asset. The discounted aggregate rentals (including $4,286,000 payable in 1971) are shown in the balance sheet as lease obligations.

Certain income and expense items are recognized for tax purposes in years other than the years in which they are reported in the financial statements. These items include depreciation, profits on installment sales, expenditures for tools and dies and deductions related to accounts receivable. These timing differences resulted in a charge to the 1970 Federal income tax expense of approximately $441,000. In addition, Federal income tax expense for 1970 has been reduced by an investment credit of $556,000.

The company's tax returns for years 1964, 1965 and 1966 are currently under examination by the Internal Revenue Service. While a report has not been received, the company understands substantial issues will be raised. In this regard, the company believes any deficiencies which may ultimately be determined will have no material effect on the financial position of the company.

Long-term debt at 31 July 1970, including installments due currently, is as follows:

	CURRENT	NONCURRENT
4.75% convertible subordinated notes dated July, 1962, due 1982, with annual payments beginning 1973; convertible into common stock at $25.67 per share	$ —	$ 1,000,000
5.00% notes dated July, 1964, due 1984, payable $2,000,000 annually	2,000,000	38,000,000
5.25% notes dated February, 1961, due 1981, payable $938,000 annually	938,000	13,434,000
Three-year notes payable to banks, due August, 1972, interest payable at prime rate plus .25%	—	40,000,000
7.25% Deutsch Mark (DM20,000,000) note payable to foreign banks dated July, 1969, due July, 1976, with annual payments of DM7,000,000 beginning July, 1974	$ —	$ 5,000,000
7.50% Deutsch Mark (DM20,000,000) notes payable to foreign banks dated July, 1969, due 1976	—	5,000,000
Notes payable incurred by subsidiaries prior to acquisition due in varying amounts to 1985 at various interest rates the major portion of which are from 4½% to 7% (guaranteed by GENESCO Inc.)	1,631,000	8,606,000
	$4,569,000	$111,040,000

The various note agreements restrict stockholders' equity except as to approximately $100,000,000.

The company guarantees all payments on the $12,383,000 debentures of a nonconsolidated foreign finance subsidiary. The guarantee is subordinated to the prior payment in full of all present and future senior indebtedness.

Deferred credits to income consist of profits of $23,389,000 from the sale and leaseback of real properties and equipment which are being amortized over the lives of the respective leases, and the net excess of equity over cost of acquired companies in the amount of $1,246,000 which is being amortized over extended periods of time. Amortization of these credits to income in 1970, net of taxes, amounted to $2,102,000.

The company has long-term leases in effect with a total minimum annual rental (excluding amounts included in lease obligations) of $38,393,000 of which $12,460,000 is applicable to leases expiring by 31 July 1975; $25,588,000 is applicable to leases expiring after 31 July 1975 but by 31 July 1995 and $345,000 is applicable to leases expiring after 31 July 1995.

The changes in the shares of the company's capital stock during the year ended 31 July 1970 are summarized as follows:

	COMMON		PREFERRED	
	ISSUED	TREASURY	EMPLOYEES'	OTHER
Outstanding at 31 July 1969	10,885,097	623,361	1,353,125	979,970
Purchases	—	54,880	—	—
Merger of S. H. Kress	—	—	—	1,518
Conversion of securities	141,557	—	(7,779)	(43,858)
Employee options and purchase plans	266,969	—	35,190	1,662
Poolings of interests	223,695	(129,082)	—	25,335
	11,517,318	549,159	1,380,536	964,627
Less treasury stock	549,159		76,777	1,860
Outstanding at 31 July 1970	10,968,159		1,303,759	962,767

The company's stockholders' equity is detailed below:

	1970	1969
$4.50 cumulative convertible preferred stock at $100 stated and liquidation value per share. The redemption value is $103.50 per share. Each share is convertible into 3.75 common shares. Authorized 82,368 shares; outstanding 1970—40,059 shares, 1969—45,681 shares	$ 4,006,000	$ 4,568,000

	1970	1969
$4.25 subordinated cumulative convertible preference stock, Series A at $3.00 stated value per share. The redemption and liquidation value is $100 per share. Each share is convertible into 3.0 common shares. Authorized 68,943 shares; outstanding 1970—600 shares, 1969—34,472 shares	$ 2,000	$ 103,000
$6.00 subordinated cumulative convertible preference stock, Series B at $2.40 stated value per share. The redemption value is $105 and the liquidation value is $100 per share. Each share is convertible into 2.4 common shares. Authorized 161,981 shares; issued 1970—133,569 shares, 1969—137,772 shares	321,000	331,000
$6.00 subordinated cumulative convertible preference stock, Series C at $2.20 stated value per share. The redemption value is $105 and the liquidation value is $100 per share. Each share is convertible into 2.2 common shares. Authorized 269,291 shares; issued 1970—169,725 shares, 1969—166,706 shares	373,000	366,000
$2.30 subordinated serial preferred stock, Series 1 at $0.83 stated value per share. The redemption value is $42 and the liquidation value is $40 per share. Each share is convertible into .8333 common shares. Authorized 131,826 shares; outstanding 96,660 shares	81,000	81,000
$2.40 subordinated serial preferred stock, Series 2 at stated, liquidating and redemption value of $40 per share. Authorized 395,626 shares; outstanding 275,709 shares	11,028,000	11,028,000
$4.75 subordinated serial preferred stock, Series 3 at $2.11 stated value per share. The redemption value is $105 and the liquidation value is $100 per share. Each share is convertible into 2.10526 common shares. Authorized 105,875 shares; outstanding 75,000 shares; 30,875 shares are reserved contingent upon earnings of an acquired company	158,000	158,000
$4.75 subordinated serial preferred stock, Series 4 at $1.67 stated value per share. The redemption value is $104 and the liquidation value is $100 per share. Each share is convertible into 1.6667 common shares. Authorized 103,000 shares; outstanding 61,000 shares; 42,000 shares are reserved contingent upon earnings of an acquired company	$ 102,000	$ 102,000
$4.75 subordinated serial preferred stock, Series 5 at $1.61 stated value per share. The redemption and liquidation value is $100 per share. Each share is convertible into 1.6129 common shares. Authorized 122,500 shares; outstanding 112,200 shares; 10,300 shares are reserved contingent upon earnings of an acquired company	181,000	181,000
Subordinated cumulative preferred stock, at stated value of $1 per share. The redemption and liquidation value is $35.75 per share. Authorized 5,000,000 shares; outstanding 105 shares; 1,303,759 shares are reserved for conversion of employees' preferred stock	—	—
Employees' subordinated convertible preferred stock at stated value of $1 per share. The liquidation value is $35.75 per share. Each share is convertible into 1.0 common or subordinated cumulative preferred shares. Authorized 5,000,000 shares; issued 1970—1,380,536 shares, 1969—1,353,125 shares; 780,246 shares are reserved under employee incentive plans	1,381,000	1,353,000
Total preferred (aggregate liquidating value 1970—$124,017,000, 1969—$125,044,000)	17,633,000	18,271,000
Common stock at par value of $1 per share. Authorized 20,000,000 shares; issued 1970—11,517,318 shares, 1969—11,108,792 shares; 3,062,962 shares are reserved for conversion of senior securities (including nonconsolidated foreign finance subsidiary), 341,678 shares for employee stock options and 718,302 shares contingent upon earnings of certain acquired companies	11,517,000	11,109,000
Additional paid-in capital	127,670,000	120,773,000
Earnings retained in business	172,087,000	170,959,000
	328,907,000	321,112,000
Less treasury stock	20,577,000	18,525,000
Total stockholders' equity	$308,330,000	$302,587,000

The aggregate liquidating values shown above are net of the cost of preferred shares held in the treasury and exceed the stated value by $9.70 and $10.18 per common share outstanding in 1970 and 1969, respectively. At 31 July 1970, 104,741 common shares, carried at the exchange value of $1 per share, were in the treasury. In addition,

Financial Review (continued)

treasury stock included 444,418 common shares, 440 Series B preference shares, 1,420 Series C preference shares, and 76,777 employees' preferred shares carried at cost.

Each year the company offers, to all eligible employees under the savings fund–employee stock purchase plan, options to purchase shares of its common stock at 85% of the market value two years subsequent to date of grant.

Transactions under the savings fund–employee stock purchase plan during the year and shares reserved for possible future options are summarized below:

Options outstanding 1 August 1969	291,928
Options granted	258,433
Options exercised	(266,969)
Options terminated	(138,635)
Options outstanding 31 July 1970	144,757
Shares reserved for possible future options	196,921*
Total shares reserved	341,678
Option price range	$19.13–$25.18

*At 31 July 1969, the number reserved was 316,719.

In addition, the company has other plans whereby employees, under certain conditions, may purchase stock on the installment basis at the prevailing market price. Under these plans 780,246 shares of employees' subordinated convertible preferred stock were available for employee purchases at 31 July 1970. There are approximately 13,000 employees participating in all the plans described above.

Contributions to the company's retirement fund are made as the company may determine, although it is not under obligation to make contributions. The current annual expense of the company's pension plans, based upon computations by independent actuaries, was approximately $758,000 in 1970 and $718,000 in 1969. This was in accord with a revision in actuarial assumptions in 1970 which had an immaterial effect on the required contribution. The company funds pension cost accrued. The company also made contributions to profit sharing and other employee contractual welfare plans in the amount of approximately $7,000,000.

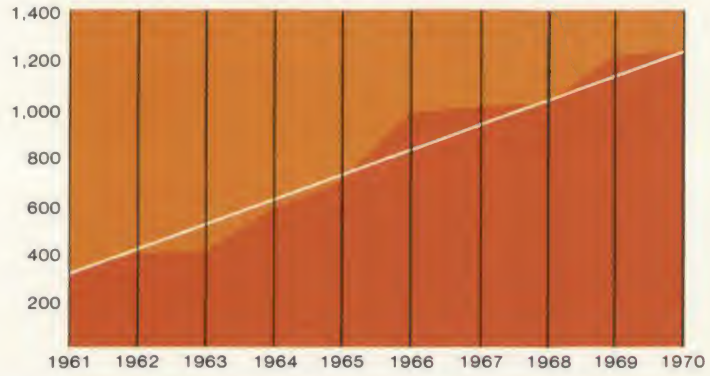
Following is a presentation of the various factors affecting the calculation of fully diluted earnings per common share. Earnings have been appropriately adjusted by eliminating interest or compensation, net of taxes, and dividends. In the case of options, exercise has been assumed as of the beginning of the year with the proceeds received applied to the purchase of treasury stock at the average market price during the year.

	1970		1969	
	CONTINUING OPERATIONS	NET EARNINGS	CONTINUING OPERATIONS	NET EARNINGS
Primary earnings per share	$2.07	$1.65	$2.71	$2.53
Conversions of senior securities	(.02)	(.01)	(.05)	(.05)
Conversions of employees' subordinated convertible preferred stock	(.13)	(.09)	(.20)	(.18)
Conversion of debt of nonconsolidated foreign finance subsidiary	(.02)	(.01)	(.04)	(.04)
Exercise of employee stock options	—	—	(.02)	(.02)
Fully diluted earnings per share	$1.90	$1.54	$2.40	$2.24

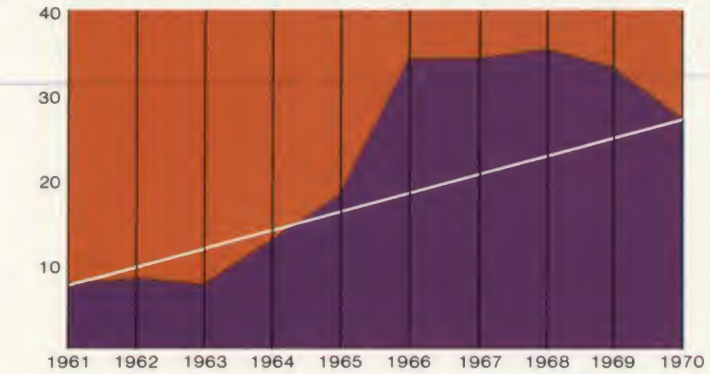
Record of Growth Charts

(The white line represents average annual rate of growth using data from the Record of Growth on the facing page.)

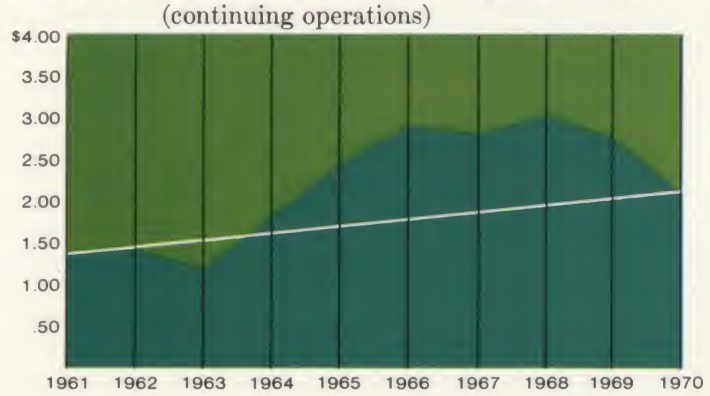
NET SALES (continuing operations) Millions of Dollars



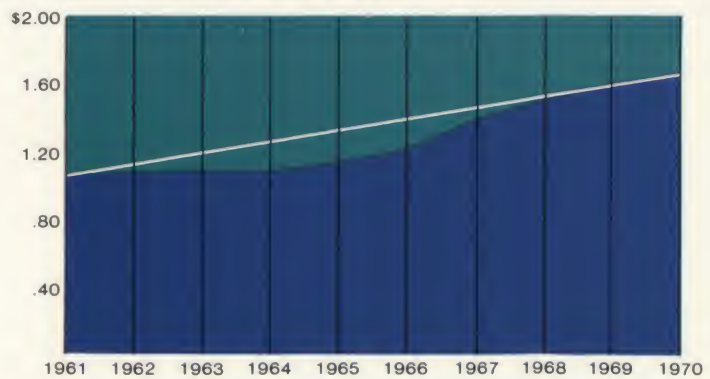
NET EARNINGS (continuing operations) Millions of Dollars



EARNINGS per common and common equivalent share (continuing operations)



DIVIDENDS per common share



RECORD OF GROWTH

Figures for 1966–1969 have been restated for poolings of interests, and to reflect discontinued operations. Prior years are as originally reported. All figures have been adjusted for the three-for-two stock split of 22 August 1966.

All dollar figures are in thousands except amounts per share.

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
TOTAL VOLUME OF BUSINESS	**$1,340,466**	1,322,240	1,218,372	1,176,457	1,121,129	760,321	634,923	444,775	443,254	374,637
NET SALES	**$1,250,675**	1,239,535	1,133,991	1,089,531	1,029,452	705,210	589,211	400,538	399,018	333,496
NET SALES—CONTINUING OPERATIONS	**$1,242,809**	1,225,128	1,109,973	1,060,360	998,673					
EARNINGS BEFORE TAXES—CONTINUING OPERATIONS	**$48,454**	62,864	66,055	60,242	62,169	32,653	23,440	14,240	16,390	13,986
INCOME TAXES—CONTINUING OPERATIONS	**$21,283**	29,707	29,933	25,319	27,211	13,310	9,914	6,130	7,389	5,729
NET EARNINGS—CONTINUING OPERATIONS	**$26,902**	33,037	35,863	34,620	34,358					
NET EARNINGS	**$22,127**	31,001	34,721	33,524	34,347	18,918	13,222	8,056	8,879	8,155
DEPRECIATION AND AMORTIZATION (INCLUDING LASTS, DIES AND PATTERNS)	**$11,901**	11,530	10,484	9,968	8,817	5,973	5,699	5,666	5,260	4,992
NUMBER STOCKHOLDERS	**48,000**	44,000	42,000	38,000	31,000	29,000	28,000	24,000	18,000	16,000
AVERAGE SHARES COMMON STOCK OUTSTANDING	**10,818,000**	10,395,000	10,199,000	10,523,000	10,059,000	7,271,000	6,471,000	5,909,000	5,758,000	5,606,000
PRIMARY EARNINGS PER COMMON SHARE:										
CONTINUING OPERATIONS	**$2.07**	2.71	3.00	2.77	2.86					
NET	**$1.65**	2.53	2.89	2.67	2.86	2.43	1.78	1.18	1.41	1.37
TOTAL TAXES PER COMMON SHARE	**$4.06**	5.40	5.26	4.51	4.79	3.97	3.60	2.45	2.63	2.22
DIVIDENDS PER COMMON SHARE	**$1.65**	1.60	1.50	1.40	1.20	1.13	1.07	1.07	1.07	1.07
CASH FLOW PER COMMON SHARE	**$2.86**	3.97	4.40	4.00	4.03	3.08	4.21	2.26	2.32	2.23
YEAR'S PRICE RANGE PER COMMON SHARE	**$32½-20¼**	58¼–29⅛	47¼–29	32⅛–23	41¼–28⅜	36–26½	27¼–22⅝	25½–22⅜	28¼–22⅜	26¼–17⅛
LONG-TERM DEBT	**$111,040**	117,902	111,834	92,879	72,256	69,274	70,512	46,986	54,572	40,789
WORKING CAPITAL	**$317,602**	336,142	320,684	275,513	250,676	200,203	185,793	138,320	127,892	113,889
STOCKHOLDERS' EQUITY	**$308,330**	302,587	277,497	253,875	231,973	146,403	131,391	120,006	105,778	100,697

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Vice President—Distribution
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(with pictures of directors not already shown in other corporate capacities)

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Laurel, Maryland

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Management Consultant
Chicago, Illinois

Bayless Manning

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Stanford University
Stanford, California

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Nashville Bank and Trust Co.
Nashville, Tennessee

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Executive Vice President, Corporate Secretary, Chairman, Executive Committee

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Franklin M. Jarman
W. Gregory Quick
Duke J. Rose
Larry B. Shelton

Corporate Offices

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730 Fifth Avenue
New York, New York 10019

Cable Address

GENCORP

Transfer Agents

Common Stock and Preferred Stock
Morgan Guaranty Trust Company
New York, New York 10004

First American National Bank
Nashville, Tennessee 37202

Canadian Transfer Agent
Canada Permanent Trust Company
Toronto 7, Ontario, Canada

Registrars

Common Stock and Preferred Stock
Chemical Bank
New York, New York 10004

Third National Bank
Nashville, Tennessee 37202

Canadian Registrar

National Trust Company, Limited
Toronto 1, Ontario, Canada

Stock Ticker Symbol

GCO

Annual Meeting of Stockholders
7 December 1970

GENESCO

GENESCO

The Apparel Company

111 Seventh Avenue, North
Nashville, Tennessee 37202

730 Fifth Avenue
New York, New York 10019